

Message Text

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ACTION AEC-11

INFO OCT-01 EA-11 ISO-00 SCI-06 EB-11 COME-00 FEA-02

ACDA-19 CIAE-00 INR-11 IO-14 L-03 NSAE-00 NSC-07

RSC-01 INT-08 SS-20 PM-07 TRSE-00 DRC-01 /133 W

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R 280806Z AUG 74

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 3977

INFO AMCONSUL BRISBANE BY POUCH

AMCONSUL MELBOURNE

AMCONSUL PERTH BY POUCH

AMCONSUL SYDNEY

C O N F I D E N T I A L CANBERRA 5638

E.O. 11652: GDS

TAGS: TECH, ENRG, BEXP, AS

SUBJECT: URANIUM ENRICHMENT: U.S. EMBASSY ACTIVITY RE AUSTRALIAN-
BASED U.S. FIRMS INTEREST IN LOCAL PLANTS

REF: STATE 185499 (NOTAL)

1. SUMMARY: EMBASSY WELCOMES GUIDANCE PROVIDED REFTEL.
CLARIFICATION OF KEY POINTS STILL NEEDED. EMBASSY HAS COMMENTS
ON ECONOMIC ADVANTAGE TO U.S. OF U.S. PRIVATE PARTICIPATION IN
LOCAL ENRICHMENT VENTURE. INVITATION TO MINISTER CONNOR NOT
NOW APPROPRIATE. EMBASSY WILL ADOPT "ACCOMODATIVE" POSTURE
TOWARD U.S. BUSINESSMEN ON ENRICHMENT, BUT CRITICISM MAY ENSUE.
ACTION REQUESTED: FURTHER CLARIFICATION OF KEY POINTS AND
INFORMATION ON FUTURE USG POLICY CHANGES REQUESTED. END SUMMARY.

2. EMBASSY APPRECIATES GUIDELINES AND COMMENTS ON URANIUM
ENRICHMENT PROVIDED BY REFTEL. WE WILL, OF COURSE, TAILOR OUR
APPROACH ACCORDINGLY BUT WISH TO ADD COMMENTS BELOW.

3. POLICY OUTLINED REFTEL SEEMS AMBIGUOUS ON SEVERAL KEY
POINTS, NOTABLY THE FOLLOWING:

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(A) WE UNDERSTAND PRESENT USG POLICY STIPULATES TRANSFER

OF U.S. ENRICHMENT TECHNOLOGY (GASEOUS DIFFUSION OR CENTRIFUGE) TO OVERSEAS INTERESTS CAN OCCUR ONLY VIA U.S. PRIVATE COMMERCIAL ORGANIZATIONS AND ONLY AFTER "U.S. INDUSTRIAL ENTRY INTO DOMESTIC PRODUCTION OF ENRICHED URANIUM". DOES THIS LITERALLY MEAN THAT PRIVATELY-OWNED FOURTH U.S. ENRICHMENT PLANT MUST ACTUALLY HAVE COMMENCED PRODUCTION BEFORE TRANSFER OF U.S. TECHNOLOGY FOR DESIGN OF OVERSEAS PLANT CAN OCCUR? IF SO, CONSIDERING LONG LEAD-TIMES AND PRESENT UNCERTAINTIES SURROUNDING FOURTH U.S. PLANT, THIS APPEARS TO PRECLUDE ANY TRANSFER OF U.S. TECHNOLOGY EVEN FOR PLANNING PURPOSES UNTIL 1980'S. THIS WOULD SURELY GIVE URENCO AND FRENCH ENORMOUS ADVANTAGE IN SELLING TECHNOLOGY TO AUSTRALIANS AND PERHAPS OTHERS.

(B) REFTEL STRESSES THAT APPROPRIATE INTER-GOVERNMENTAL AGREEMENTS PROVIDING FOR TRANSFER AND PROTECTION OF ANY CLASSIFIED INFORMATION WOULD FOLLOW THE INITIAL NEGOTIATION OF A "PROPOSAL AT COMMERCIAL LEVEL". DOES THIS MEAN THAT U.S. FIRMS WOULD HAVE TO NEGOTIATE A CONTRACT WITH AUSTRALIANS FOR SALE OF THEIR SERVICES BEFORE THEY HAVE ANY SOLID ASSURANCE THAT USG WILL AUTHORIZE THEM TO TRANSFER TECHNOLOGY, AN INTEGRAL AND INDISPENSABLE ASPECT OF THOSE SERVICES?

4. EMBASSY RECOGNIZES VALIDITY OF REFTEL COMMENT THAT "ECONOMIC ADVANTAGES OF U.S. PARTICIPATION IN AN AUSTRALIAN ENRICHING VENTURE HAVE NOT BEEN DEMONSTRATED AND COULD BE ASSESSED ONLY FOLLOWING TENTATIVE AGREEMENT ON THE SPECIFICS OF SUCH PARTICIPATION". HOWEVER, WE WOULD ADD THAT: (A) AS EMBASSY HAS REPORTED FOR OVER A YEAR, GOA SEEMS DETERMINED TO BUILD LOCAL FACILITY REGARDLESS OF USG ATTITUDES, AND EUROPEANS ARE EAGER TO PARTICIPATE IN PROJECT FOR THEIR OWN ADVANTAGES, COMMERCIAL AND OTHERWISE; (B) IF DESPITE ECONOMIC ARGUMENTS TO CONTRARY AUSTRALIA DECIDES TO BECOME COMPETITOR OF U.S. AS EXPORTER OF ENRICHMENT SERVICES, IT SEEMS PLAUSIBLE THAT U.S. ECONOMIC INTERESTS MIGHT WELL BE SERVED BY SALE OF U.S. RATHER THAN THIRD COUNTRY TECHNOLOGY, HARDWARE AND MANAGERIAL SERVICES TO ANY AUSTRALIAN FACILITY; (C) PRECISE ASSESSMENT OF WHETHER U.S. OVERALL INTERESTS SERVED BY U.S. PARTICIPATION IN AUSTRALIAN VENTURE CAN ONLY BE MADE AFTER SPECIFICS OF SUCH PARTICIPATION ARE KNOWN; HOWEVER, UNLESS U.S. FIRMS ARE ABLE TO NEGOTIATE SUCH PARTICIPATION WITH REASONABLE ASSURANCE OF USG SUPPORT, THEY MAY WELL LOSE OUT TO THIRD COUNTRY INTERESTS WHO CAN

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PROMISE AUSTRALIANS TRANSFER OF TECHNOLOGY, EVEN IF SUCH TECHNOLOGY IS LESS PROVEN AND LESS ECONOMIC THAN OUR OWN.

5. BECAUSE OF RESTRICTIONS ON DISCUSSION OF ENRICHMENT TECHNOLOGY OUTLINED REFTEL, EMBASSY SEES NO USEFUL PURPOSE BEING SERVED BY INVITING MINISTER CONNOR TO WASHINGTON NOW. SHOULD CIRCUMSTANCES HERE OR IN U.S. CHANGE, WE WILL RECONSIDER THE MATTER.

6. EMBASSY WILL ADOPT "ACCOMODATIVE" RATHER THAN "OUTRIGHT PROMOTIONAL" POSTURE TOWARD U.S. BUSINESSES INTERESTED IN LOCAL ENRICHMENT PROJECT. DEPARTMENT SHOULD BE AWARE, HOWEVER, THAT SOME U.S. BUSINESSMEN IN AUSTRALIA ARE VERY KEEN TO EXPLORE COMMERCIAL OPPORTUNITIES RELATED TO THIS PROJECT AND ARE PRESSING EMBASSY HARD FOR FULLEST SUPPORT. WE WILL, OF COURSE, DEAL WITH SUCH PRESSURES AS PRUDENTLY AS POSSIBLE, BUT THEY MAY WELL BE TRANSLATED INTO CRITICISM OF EMBASSY AND DEPARTMENT THAT USG IS NOT AS HELPFUL AS IT COULD BE TO U.S. BUSINESS IN THIS INSTANCE. REQUEST ANY SIGNIFICANT CHANGE IN USG POLICIES, ATTITUDES OR GUIDELINES ON ENRICHMENT BE COMMUNICATED TO EMBASSY IMMEDIATELY SO THAT WE CAN BE AS RESPONSIVE AS POSSIBLE.

7. ACTION REQUESTED: PLEASE PROVIDE CLARIFICATION ON POINTS DISCUSSED PARA 3. WE WOULD ALSO WELCOME PROMPT INFORMATION ON SIGNIFICANT CHANGES IN USG POSITION ON ENRICHMENT (PARA 6) AND ANY OTHER USEFUL COMMENTS, PRESENT OR FUTURE, WHICH DEPARTMENT CAN PROVIDE.

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